

Audits-Payments

Subject: Local Bus Operating Assistance Advance

Information:

Occasionally, transit agencies need financial assistance to alleviate critical cash flow problems and request an advance of their local bus operating assistance. Cash flow problems arise as a result of various situations. For example, local funds are not available until collected and federal funds may be late due to federal grant procedures. Granting advances is not intended to be a routine procedure and should only be utilized in situations which could result in service reductions or total shutdown.

Repayment of the advance is to be made in the same fiscal year as it is made. This will be done by deduction from monthly local bus operating assistance payments or lump sum repayment. The lump sum repayment must be received before the remaining monthly operating assistance payments become less than the advance so the monthly payments can be applied to the advance to ensure repayment before the fiscal year end.

Interest will be charged on the advance and generally will be deducted in total from the September operating assistance payment. The interest is to be adjusted quarterly and is to be based on the earning rate for the Treasurer's Common Cash Fund during the period that the advance is outstanding.

The transit agency is encouraged to borrow from a local financial institution before requesting an advance of operating assistance from the state.

Actions Needed:

1. Obtain a resolution from the governing body requesting the advance.
2. Prepare a cash flow statement covering the local fiscal year for the period of the advance in a form prescribed by the division (see attached format).
3. Prepare a written statement of reason(s) for requesting the advance.
4. Submit the above three documents to your Passenger Transportation Division (PTD) Project Manager.
5. Supply PTD with any requested information or documentation.

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Actions Needed:

6. If the advance is approved, a letter will be sent to you indicating the dollar amount of the advance and the payback schedule (see attached letter). The transit manager signs the letter and returns it to the PTD Project Manager.

Contact: If you have any questions on this procedure, contact your PTD Project Manager.

	Signed By: Kip Grimes	10/21/2002
Approved:	_____	_____
	Division Administrator	Date

Attachments: Cash Flow Statement
Letter Approving Advance

PTD:PAS:PDU:TD

EXAMPLE

Transit Agency Name
Cash Flow Statement
For the 12 Month Period Ending September 30, 2001

Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	TOTAL
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Beginning Cash Balance

Cash Receipts

Farebox

Local Funds

State Funds

Charter

Other

TOTAL

Cash Expenditure

Wages

Fringe Benefits

Materials and Supplies

Utilities

Insurance

Miscellaneous

Interest

Rent

Other

TOTAL

Ending Cash Balance

The initial Beginning Cash Balance must be an actual figure.

TRANSPORTATION
COMMISSION
BARTON W. LaBELLÉ - Chairman
JACK L. GINGRASS - Vice Chairman
BETTY JEAN AWREY
TED B. WAHBY
LOWELL B. JACKSON
JOHN W. GARSIDE
LH-LAN-0 (01/01)

STATE OF MICHIGAN



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

MURRAY D. VAN WAGONER (TRANSPORTATION) BUILDING
425 WEST OTTAWA STREET - PO BOX 30050, LANSING, MICHIGAN 48909
PHONE: 517-373-2090 FAX: 517-373-0167 WEB SITE: <http://www.mdot.state.mi.us>
GREGORY J. ROSINE, DIRECTOR

Dear _____:

A review of your request for a cash advance has been completed. Based on your cash flow statement, an advance of _____ has been approved and should be received by your agency by _____. The balance of your FY _____ state operating assistance payments will be distributed in reduced increments of approximately _____ per month.

The department will be charging interest on the advance until the advance is repaid. The interest will be adjusted quarterly to the earnings rate for the Treasurer's Common Cash Fund during the period the advance is outstanding. The interest will be deducted from your September formula operating assistance payment. Any adjustment to the interest charge will be reconciled during the regular year-end reconciliation.

If you agree with the above, please sign below and return this original letter as soon as possible. As soon as we receive the original, we will process the advance. If you have any questions, please contact _____.

Sincerely,

Philip F. Kazmierski, Deputy Director
Urban and Public Transportation

Enclosure

Signature

Title

Date